

Illinois enacted the Tobacco Product Manufacturers' Escrow Act (Public Act 91-0041), effective June 30, 1999. (This is a GIL).

August 2, 2000

Dear Xxxxx:

This letter is in response to your letter dated June 2, 2000 to Illinois Attorney General Jim Ryan. The Attorney General's Office has forwarded your letter to the Department of Revenue for response. The nature of your letter and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120 subsections (b) and (c), which can be found at <http://www.revenue.state.il.us/legalinformation/regs/part1200>.

In your letter, you have stated and made inquiry as follows:

We are a manufacturer located in the LOCATION currently producing cigarettes that are intended for sale in the U.S. We understand that there are some state mandated requirements for manufacturers intending to sell tobacco products within the American State; i.e. escrow fund requirements that must be fulfilled with each state. We intend to ascertain and meet the criteria necessary for an overseas tobacco manufacturer intending to sell tobacco products through American distribution channels. We understand that the products that we manufacture may be sold eventually within your state, through these distribution channels. We are requesting further information concerning payment schedules and any other pertinent information that we should be aware of.

Illinois enacted the Tobacco Product Manufacturers' Escrow Act (Public Act 91-0041), effective June 30, 1999. (P.A. 91-0041 can be found on the Internet at <http://www.legis.state.il.us/publicacts/pubact91/acts/91-0041.html>.) Section 15 of the Act provides, in part, that "(a) any tobacco product manufacturer selling cigarettes to consumers within the State of Illinois (whether directly or through a distributor, retailer, or similar intermediary or intermediaries) after the effective date of this Act shall do one of the following: (1) become a participating manufacturer (as that term is defined in Section 11(jj) of the Master Settlement Agreement) and generally perform its financial obligations under the Master Settlement Agreement; or (2) (A) place into a qualified escrow fund by April 15 of the year following the year in question the following amounts (as such amounts are adjusted for inflation): (i) For 1999: \$0.0094241 per unit sold after the effective date of this Act; (ii) for 2000: \$0.0104712 per unit sold; (iii) For each of 2001 and 2002: \$0.0136125 per unit sold; (iv) For each of 2003 through 2006: \$0.0167539 per unit sold; (v) For each of 2007 and each year thereafter: \$0.0188482 per unit sold."

Section 15 of the Act also provides that each tobacco product manufacturer that elects to place funds into escrow pursuant to subdivision (a)(2) shall annually certify to the Attorney General that it is in compliance with subdivision (a)(2).

August 2, 2000

The Department of Revenue has proposed regulations at 86 Ill. Adm. Code Sections 445.10 and 445.20 regarding this legislation. These proposed regulations can be found on the Department's Web site at the address set forth below. We have also enclosed a copy of the "Affidavit of Nonparticipating Manufacturer Regarding Escrow Payment" form prepared for use by nonparticipating manufacturers and a copy of the "Cigarette Distributor's Report of Purchases from Nonparticipating Manufacturers" form.

I hope this information is helpful. The Department of Revenue maintains a Web site, which can be accessed at [www.revenue.state.il.us](http://www.revenue.state.il.us). If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of the enclosed copy of Section 1200.110(b).

Very truly yours,

Martha P. Mote  
Associate Counsel

MPM:msk  
Enc.